

# MONTANA

**Department of Commerce**

## **MONTANA BOARD OF HOUSING**

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## **MONTANA BOARD OF HOUSING**

Holiday Inn, Missoula Downtown at the Park  
200 South Pattee, Missoula MT 59802  
July 11, 2008

### **ROLL CALL OF BOARD**

#### **MEMBERS:**

J.P. Crowley, Chairman (Present)  
Betsy Scanlin, Vice Chairman (Present)  
Susan Moyer, Secretary (Present)  
Audrey Black Eagle (Present)  
Bob Gauthier (Present)  
Jeanette McKee (Present)  
Jeff Rupp (Present)

#### **STAFF:**

Bruce Brensdal, Executive Director  
Mat Rude, Multifamily Program Manager  
Nancy Leifer, Homeownership Program Manager  
Mary Bair, Multifamily Program  
Charlie Brown, Homeownership Program  
Paula Loving, Administrative Assistant

#### **COUNSEL:**

Pat Melby, Luxan and Murfitt

#### **UNDERWRITERS:**

Peter Nolden, RBC Capital Markets  
Gordon Hoven, Piper Jaffray  
Beth Seville, G K Baum

#### **OTHERS:**

Dave Chrismon, Habitat for Humanity  
Alex Burkhardt, Sparrow Group  
Martin Olsson, Eagle Bank  
Jeff Miller, Rocky Mountain Development Council  
Don Sterhair, Mountain Plains Equity Group  
Lori Davidson, Missoula Housing Authority  
Rocki Davis, Salish & Kootenai Housing Authority  
Jane Nolan, Northwest Montana Human Resources – Kalispell  
Nate Richmond, Summit Housing Group, Inc.  
Betsy Hands, homeWORD  
Jennifer Betz, homeWORD  
Julie Sterhan, homeWORD  
Meg Ann Traci, UM Rural Instituted on Disabilities  
Jason Adams, Salish & Kootenai Housing Authority  
Maureen Rude, NeighborWorks  
Bill Markovich, Markovich Inc.  
Patty Kent, WMMHC  
Heather McMilan, homeWORD

## **CALL MEETING TO ORDER**

Chairman, J. P. Crowley, called the meeting located in Missoula to order at 8:40 a.m. He asked the Montana Board of Housing (MBOH) Board, staff, and guests to introduce themselves. J.P. adjourned the Board Meeting to conduct the 2009 Qualified Allocation Plan Public Hearing.

## **APPROVAL OF MINUTES**

After the public hearing JP called the meeting back to order Bob Gauthier moved to approve the minutes and Susan Moyer seconded the motion. The Chairman asked for comments. Betsy Scanlin asked for the minutes on page 5, first paragraph of Homeownership to reflect "Betsy stated that MBOH's mission may not be to overcome the shortcomings of *this particular* Federal law." Bob Gauthier moved to approve the amended minutes and Susan Moyer seconded the motion. The motion passed unanimously.

Heather McMilan, homeWORD, expressed her thanks for the support on the 2007 allocation project. They are 100% funded on the Equinox Project and construction is on schedule. She encouraged the Board to stop by if they had a chance while in Missoula and see the progress.

Jason Adams, Salish & Kootenai Housing Authority, updated the Board on the Housing Authority that serves the Flathead Indian Reservation. Since starting in 1963, the Housing Authority currently has 500 units and is serving 260 people in need of housing on the reservation. The biggest success in the last five years for the Housing Authority has been homeownership. Jason mentioned that he is anxious about the approval of Eagle Bank becoming a lender for the Homeownership Program, if approved.

Jeff Miller, Rocky Mountain Development Council, spoke briefly regarding the Housing Bill before the U.S. Congress. Jeff encouraged the Board when opportunities arrive to show the support for the small state minimum allocation. Jeff Rupp stated while he was in Washington D.C., he had the opportunity to speak with Senator Baucus and staff. They were very impressed with the work MBOH has done and the communication MBOH has with Senator Baucus' staff.

Dave Chrisman, Habitat for Humanity and representing nine affiliates of the set-aside program, thanked the Board for the support given to Habitat for Humanity.

Jane Nolen, Northwest Montana Human Resources, thanked the MBOH staff, especially the Section 8 Housing Program, for all the conference calls to improve the program and HRDC.

## **MULTIFAMILY PROGRAM**

Mat Rude updated the Board on the Garden District 1 in Missoula and their Application Change Request. Lori Davison from Missoula Housing Authority provided the Board with the history of the Low Income Housing Tax Credit Application approved with a 30% income level. The application was submitted with full intentions of being able to provide 30%, however, from the time of securing the Tax Credit to the due diligence with their investors; they have ended up with a \$260,000 gap in the project. The Missoula Housing Authority requested the Board to change the 30% to 60% to help fill over 50% of the gap from the declining market prices. Lori

stated their application, even without the 30% Tax Credit points, was still the highest scoring in the state. They are working with the architect and construction costs to help with the rest of the gap.

Jeff Rupp stated he did not have any problems with this request. Jeff stated while he struggles with the elimination of the 30%, it is in nobody's best interest to have a project financially strapped. Jeff appreciated the environment in which the process allows Missoula Housing Authority to come to the Board and discuss the project and changes that can be made to ensure a successful project. Jeff Rupp moved to approve the request for the Garden District 1 in Missoula to change from 30% to 60% income levels. Bob Gauthier seconded the motion. Chairman asked for comments. Heather McMilan, homeWORD, gave full support behind the Missoula Housing Authority. Jeanette McKee agreed with Jeff's words, stating the world is constantly changing and we need to address these issues as they come up. Susan Moyer strongly approves this motion as the Board does not want to see a project fail. Betsy Scanlin concurred stating they ranked high even without the 30%. Betsy stated we need this kind of flexibility to address these issues. Mat Rude confirmed that the application would have met the minimum threshold of the Tax Credits. The motion passed unanimously.

Susan Moyer moved to approve the 2009 Qualified Allocation Plan with the proposed amendments. Bob Gauthier seconded the motion. Chairman asked for comments.

Susan moved to amend the rehabilitation activities to reflect that only major rehabilitation requires an Architect certification. Definition of major rehabilitation is structural changes. Staff will determine whether the rehabilitation is major. Jeanette McKee seconded the motion. The amendment passed unanimously.

Jeff Rupp moved to leave the deletion of 6. Sponsor Characteristics – "Sponsorship or partnership arrangement (a basic letter) with a local government....," but to add three points in #8 to include the interaction between local government and the community. Susan Moyer seconded the motion. The amendment passed unanimously.

Bob Gauthier moved to define in 6.a as "tax credit low income housing". Jeanette McKee seconded the motion. The amendment passed unanimously.

Betsy Scanlin moved to add "unless authorized by the Board" to 6.d. Jeff Rupp seconded the motion. The amendment passed unanimously.

Betsy Scanlin moved to change "Lowest Income Tenants\*" to Low Income Tenants. Susan Moyer seconded the motion. The amendment passed. Audrey Black Eagle and Jeff Rupp voted against this amendment.

Betsy Scanlin moved to remove the word "registered" when referring to Architect. Bob Gauthier seconded the motion. Mat Rude confirmed an Architect in the State of Montana is registered, otherwise, they are not considered an Architect. The amendment passed unanimously.

Jeff Rupp voiced his concern on the elimination of the 30% or below income level. Jeff stated MBOH is not requiring applications to apply for these points, but a reward is given for those applications which can implement one or two 30% units within the application. Bob Gauthier stated the Board needs to support the lowest of incomes; however, the Tax Credit Program is designed for a specific income level and by targeting the 20 – 30% income levels requires subsidy from other programs. Bob stated the need for the 20 – 30% income levels is real, however, they need to be funded from other government programs; otherwise, it has the possibility to disarm this program. Betsy Scanlin asked for clarification if the program is required to serve the lowest of income. Mat Rude stated the program's original intent was to serve HUD's definition 50 – 60% income. Pat Melby further commented the Board has the ability to take into consideration outside of the point system for those applications serving 30% income levels. Jeff Rupp moved to reinstate the four points for the 30% or below income level. Betsy Scanlin seconded the motion. Jeanette McKee stated by not awarding points for the 30% income, the applications will be more accurate. Bob Gauthier stated if 30% income is implemented, the result may be there are less units built because of construction costs. Audrey Black Eagle asked what income level was considered moderate. Bruce Brensdal stated moderate income is considered 80%. Chairman requested roll call for vote.

Bob Gauthier – No

Betsy Scanlin – Yes

Jeanette McKee – No

Susan Moyer – No

Audrey Black Eagle – Yes

Jeff Rupp – Yes

Chairman J.P. Crowley voted No, breaking the tie vote. Motion failed.

Chairman J.P. Crowley restated the original motion to approve the 2009 Qualified Allocation Plan with the proposed and approved amendments. The motion passed. Audrey Black Eagle abstained.

Mat Rude stated the Milk River Project in Glasgow has completed the required initial 15 years of Low Income Housing Tax Credit compliance. Mat informed the Board that while it received Tax Credit funds it really serves no purpose to continue to monitor the project since it is a group home serving only the very low income. Susan Moyer moved to release the Milk River Project from the Tax Credit Program. Jeanette McKee seconded the motion. The motion passed unanimously.

### **HOMEOWNERSHIP PROGRAM**

Bruce Brensdal updated the Board on Peter Nolden and Mina Choo who served MBOH as Senior Bond Underwriter for UBS. Peter Nolden and Mina Choo have changed employment to RBC. Bruce mentioned in previous years, a review process generated no change in the bond underwriting team. Bruce, on behalf of the staff, recommended that Peter Nolden and Mina Choo of RBC Capital Markets continue as MBOH's Senior Bond Underwriter. Jeanette McKee stated that despite Pete and Mina's excellent job in serving the Board, this is exactly the right

time to go through a review process. It is essential for the Board to have the discussion of change after 15 years. Jeff Rupp inquired in regards to the State's procurement process and where does the Senior Bond Underwriter fit into this process. Pat Melby stated the role of an Underwriter is to buy our bonds. They do not provide a service to MBOH under contract and therefore, are not subject to formal RFP requirements in state law. Pat stated the Bond Counsel is the entity who provides the service to MBOH, ensuring regulations are followed. Attorney relationships are also not subject to the state's RFP requirements. Betsy Scanlin asked if the rate at which MBOH is charge by an Underwriter is competitive. Peter Nolden stated that in terms of cost, it is a competitive process each time bonds are sold. Betsy Scanlin moved to retain Peter Nolden and Mina Choo with RBC as Interim Senior Bond Underwriter and directed staff to bring forth options for a process for obtaining a permanent Senior Bond Underwriter. Bob Gauthier seconded the motion. The motion passed unanimously. Susan Moyer stated that were it not for the fact that Peter Nolden and Mina Choo changed employment from UBS to RBC, the Board would not be having this discussion. Susan stated they have done a tremendous job and the Board has trust in their work.

Peter Nolden gave an update on the current markets. With the current instability of Fannie Mae and Freddie Mac, it is Peter's recommendation to not enter the bond market at this time. Peter mentioned if the Housing Bill currently in the U. S. Senate passes, it will allow MBOH to enter the bond market.

Nancy provided an update on the Bond Series funds. Nancy noted the increase of the MBOH interest rate to 6.5% on June 17, 2008. This was due to the overall mortgage market rate increase and to ensure that the remaining MBOH funds will be loaned at a competitive rate. Nancy requested the Board to guide the staff on how to proceed during any time when funds are exhausted and new bond issue. In past, staff has committed funds from the future bond issue. However, with the current status of markets there is no guarantee the commitment rates will match the bond issue rates. Jeanette McKee moved to wait until next bond issue to commit any more loans and not bridge loans should MBOH exhaust the current funds. Susan Moyer seconded the motion. Motion passed unanimously. Audrey Black Eagle and Bob Gauthier not present for vote.

Nancy Leifer introduced Martin Olsson of Eagle Bank. Martin provided the history of Eagle Bank, one of eight banks in the United States owned by an individual Native American Tribe. Martin provided the Board with financial statements for Eagle Bank. Nancy, on behalf of the staff, recommended approval of Eagle Bank as a lender for MBOH. Jeff Rupp moved to approve Eagle Bank as a lender for MBOH. Susan Moyer seconded the motion. The motion passed unanimously, with Jeanette McKee recused from vote as her husband is affiliated with Eagle Bank. Bob Gauthier was not present for this vote.

Nancy Leifer gave an update of the Mortgage Credit Certificate (MCC) program. The MCC program is in the required 90-day waiting period after published notice. New MCC loans can be closed on or after September 3, 2008.

Nancy Leifer requested allocation of First Mortgage Pool for borrowers with down payment assistance. Betsy Scanlin moved to allocate \$10 million of Pre-Ullman funds for the first mortgage loans in the down payment assistance program. Jeanette McKee seconded the motion. Motion passed with Jeff Rupp withdrawing his vote due to personal conflict.

### **EXECUTIVE DIRECTOR**

Bruce Brensdal stated he was putting a request to meet with Governor Schweitzer. The Board agreed the responsibility to attend this meeting. Bruce asked the Board if there were specific topics they would like to address with the Governor. Decommissioning of mobile homes, tax credits, debt financing, Indian Country Housing, and affordable housing in Montana were a few of the topics to be discussed with the Governor.

Bruce informed the Board that the relationships between the U.S. Senators and Representatives are really great. MBOH staff receives calls from the Senators on a consistent basis.

The next Board meeting will be held on August 11, 2008 in Helena. HUD 184 training will be conducted after Board meeting.

The meeting adjourned at 12:35 p.m.



*S.* Susan Moyer, Secretary

9.8.08

Date